

DUANE MORRIS LLP

A DELAWARE LIMITED LIABILITY PARTNERSHIP

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-and-

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Attorneys for Plaintiffs

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

WOLVERINE FLAGSHIP FUND TRADING	:	CIVIL ACTION NO.:
LIMITED, WHITEBOX CONCENTRATED	:	
CONVERTIBLE ARBITRAGE PARTNERS, L.P.,	:	
WHITEBOX MULTI-STRATEGY PARTNERS,	:	
LP., IAM MINI-FUND 14 LIMITED, HFR RVA	:	
COMBINED MASTER TRUST and PANDORA	:	
SELECT PARTNERS, L.P.,	:	
	:	
Plaintiffs,	:	
	:	
v.	:	
	:	
AMERICAN ORIENTAL BIOENGINEERING,	:	
INC.,	:	
	:	
Defendant.	:	

COMPLAINT

Plaintiffs Wolverine Flagship Fund Trading Limited, Whitebox Concentrated Convertible Arbitrage Partners, L.P., Whitebox Multi-Strategy Partners, L.P., IAM Mini-Fund 14 Limited, HFR RVA Combined Master Trust and Pandora Select Partners, L.P. (collectively, "Plaintiffs"),

by their undersigned attorneys, as and for their complaint against defendant American Oriental Bioengineering, Inc. (“AOB”), allege as follows:

SUMMARY OF ACTION

1. By this action, Plaintiffs seek to recover the unpaid principal and interest due them from defendant AOB on certain 5% senior convertible notes (the “Notes”) issued by AOB under an Indenture dated July 15, 2008 (the “Indenture”). AOB is in default of its obligations under the Indenture, which resulted in acceleration of the maturity of the Notes. Notwithstanding the acceleration, AOB has failed to pay the principal and interest due on the outstanding Notes. Plaintiffs now seek judgment against AOB for the entire principal and interest amounts due them, which to date exceeds \$20,880,975.

THE PARTIES

2. Plaintiff Wolverine Flagship Fund Trading Limited is an investment fund with a principal place of business in the Cayman Islands.

3. Plaintiff Whitebox Concentrated Convertible Arbitrage Partners, L.P. is an investment fund with a principal place of business in the British Virgin Islands.

4. Plaintiff Whitebox Multi-Strategy Partners, L.P. is an investment fund with a principal place of business in the British Virgin Islands.

5. Plaintiff IAM Mini-Fund 14 Limited is an investment fund with a principal place of business in the Cayman Islands.

6. Plaintiff HFR RVA Combined Master Trust is an investment fund with a principal place of business in Bermuda.

7. Plaintiff Pandora Select Partners, L.P., is an investment fund with a principal place of business in the British Virgin Islands.

8. Plaintiffs, collectively, own \$19,795,000 in principal face amount of the Notes, constituting approximately 40% of the outstanding Notes.

9. Defendant AOB is a corporation incorporated under the laws of the State of Nevada with offices at 211 Warren Street, Suite 219, Newark, New Jersey.

JURISDICTION AND VENUE

10. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1332 because the matter in controversy exceeds \$75,000 and is between a citizen of a state and citizens of foreign states.

11. Venue is proper in this Court pursuant to 28 U.S.C. § 1391 because Defendant AOB resides in this district.

FACTUAL BACKGROUND

12. AOB is a pharmaceutical company that, according to its most recent Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on or about January 7, 2013 (the “10-K”), is “dedicated to improving health through the development, manufacture and commercialization of a broad range of pharmaceutical and healthcare products.” AOB operates through indirect, wholly-owned subsidiaries based in the People’s Republic of China.

13. On July 15, 2008, AOB issued, pursuant to the Indenture, \$115 million of Notes. The Indenture requires AOB to make interest payments on the outstanding aggregate principal amount of Notes on January 15 and July 15 of each year until the Notes mature in 2015. According to the 10-K, AOB repurchased \$65,839,000 in principal amount of the Notes, leaving \$49,161,000 in principal amount currently outstanding. 10-K at page 47.

14. On March 15, 2012, AOB failed to timely file its Form 10-K with the SEC.

15. On March 16, 2012, AOB's independent registered public accounting firm, Ernst & Young Hua Ming, advised AOB's audit committee of certain inconsistencies in AOB's financial statements for fiscal year 2011.

16. On May 25, 2012, trading in AOB common stock was suspended by the New York Stock Exchange ("NYSE"). On or about June 11, 2012, AOB's shares were delisted by the NYSE.

17. The delisting of AOB's shares by the NYSE constituted a "Fundamental Change" as provided in Section 3.02(b) of the Indenture, which required AOB to provide a "Fundamental Change Company Notice" to the Indenture Trustee and each of the holders of the Notes. The Fundamental Change Company Notice would serve to advise each holder of the Notes of its right to require AOB to repurchase, for cash, all or any portion of the holder's Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest.

18. AOB failed to provide a Fundamental Change Company Notice to the Indenture Trustee and to holders of the Notes, which failure constituted an "Event of Default" under the terms of the Indenture.

19. On or about July 15, 2012, AOB failed to pay the installment of interest that was due and payable on that date with respect to the Notes. AOB has failed to pay such interest to date. AOB's failure to make the interest payment due on July 15, 2012 constituted an "Event of Default" under the terms of the Indenture.

20. AOB, in its 10-K, admitted that it is currently in default under the Indenture:

On July 15, 2008 the Company issued \$115 million of its 5% convertible notes. This liability of the Company is in default, which was caused by the delisting of the Company's common stock by the NYSE as described in Form 25NSE filed on April 16, 2012 by NYSE; and by the non-payment of the interest due on July 15, 2012.

10-K at page 47 (emphasis added).

21. On or about January 15, 2013, AOB failed to pay the installment of interest that was due and payable on that date with respect to the Notes. AOB has failed to pay such interest to date. AOB's failure to make the interest payment due on January 15, 2013 constituted an "Event of Default" under the terms of the Indenture.

22. On or about February 19, 2013, Plaintiffs, pursuant to Section 3.02 of the Indenture, as holders of at least 25% in aggregate principal amount of the outstanding Notes, provided AOB and the Indenture Trustee with a Notice of Acceleration, pursuant to Section 7.02 of the Indenture. The Notice of Acceleration advised AOB and the Indenture Trustee of AOB's outstanding defaults under the terms of the Indenture and, accordingly, declared immediately due and payable the principal amount of the Notes plus accrued and unpaid interest and "Additional Interest" as defined in the Indenture.

23. As of February 20, 2013, the total obligation of principal and interest owed to Plaintiffs on the Notes is \$20,880,975.69. AOB has failed to date to pay to Plaintiffs any of the principal and interest due with respect to the Notes.

FIRST CLAIM FOR RELIEF

24. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 23 above.

25. Defendant AOB is in default of and has breached the Indenture by (i) failing to provide the Indenture Trustee and each of the holders of the Notes with the Fundamental Change Company Notice and (ii) failing to make the interest payments due on the Notes on July 15, 2012 and January 15, 2013.

26. As a result of AOB's default and breach of the Indenture, AOB is obligated to pay to holders of the Notes, including Plaintiffs, pursuant to the Notice of Acceleration and the terms of the Indenture, all principal and accrued and unpaid interest and Additional Interest due on the Notes.

27. Accordingly, there is presently due and owing to Plaintiffs the sum of \$19,795,000 in principal amount of the Notes, plus accrued and unpaid interest to date of \$1,085,975.69.

28. Plaintiffs are therefore entitled to judgment in an amount not less than \$20,880,975.69, plus additional pre-judgment interest accrued on the Notes held by Plaintiffs, fees, costs and expenses, including attorneys' fees.

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WHEREFORE, Plaintiffs demand judgment against Defendant AOB in an amount to be determined but not less than \$20,880,975.69, plus additional pre-judgment interest accrued on the Notes, fees, costs and expenses, including attorneys' fees, and for such other relief as the Court may deem just and proper.

Dated: February 20, 2013

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/s/ Daniel Ginzburg

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